

CHAPTER 3. COST ESTIMATING FOR REIMBURSABLE AGREEMENTS

TABLE OF CONTENTS

3.1	INTRODUCTION.....	3-1
3.2	DETERMINING THE FULL COST OF REIMBURSABLE AGREEMENTS.....	3-1
3.3	TYPES OF COST.	3-3

CHAPTER 3. COST ESTIMATING FOR REIMBURSABLE AGREEMENTS

3.1 INTRODUCTION.

- 3.1.1 This chapter covers the determination of reimbursable agreement costs. Initially all reimbursable agreements shall be developed on a full cost basis (Refer to Financial Management Requirements (FMR), Volume 7, *Cost*). FMR Volume 16, Chapter 4 contains instructions for establishing the required level of reimbursement.
- 3.1.2 Before a reimbursable agreement for work is accepted, the full cost of reimbursable work must be calculated and documented on the Estimated Price Report (EPR).

3.2 DETERMINING THE FULL COST OF REIMBURSABLE AGREEMENTS.

- 3.2.1 Identifying the cost of a reimbursable agreement requires the determination of the costs of the work, services, and facilities usage that are to be provided to the customer. It is NASA policy that, except for Corporate general and administrative overhead (G&A), standard rates based on experience of similar work will be used whenever possible and practical. The costing methods identified in Sections A and B below are listed in order of preference.
- A. Standard Rates or Charges. A standard rate (\$/unit) or charge consistent with the consumption basis prescribed in FMR Volume 7, *Cost*, can be determined for some services or components of services that are required to complete a reimbursable agreement. For example, wind tunnel usage is charged based on a standard rate for each shift the wind tunnel is operated. Standard costing applies when there is recurrent demand for the same or similar goods or services and costs are uniform. This type of costing is determined in advance and can readily be applied to cost the related components of a customer's reimbursable agreement. For example, a standard rate could be used to apply wind tunnel use in order to estimate cost of the agreement.
- B. Agreement Costing. When costs of requested services cannot be estimated using standard rate for the service being performed, Centers shall estimate costs by projecting resources to be consumed by the effort and costs of those resources. NASA Centers shall conduct an analysis to identify each cost element involved and how to assign that cost to the agreement.
- C. Indirect Costs. Indirect costs shall be recognized as services are rendered and reimbursements earned. That should not, however, affect contractual arrangements or billing provisions in reimbursable agreements. In cases where amounts to cover indirect costs are collected but not yet earned, those amounts shall be recorded as

advances to be applied as costs as services are rendered and revenue is earned.

3.2.2 Cost Assignment.

- A. In developing a method for costing and assigning cost to reimbursable work, NASA shall use Generally Accepted Accounting Principles (GAAP). In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 4, Managerial Cost Accounting Standards and Concepts, full cost of output is the total amount of resources used to produce the output. This includes direct and indirect costs that contribute to the output, regardless of funding sources.
- B. The principles provide an order of preference framework for assigning costs:
 - 1. Directly trace costs wherever feasible and economically practicable.
 - 2. Assign costs on a cause-and-effect basis.
 - 3. Allocate costs on a reasonable and consistent basis.
- C. When reimbursable projects use the same types of good or services as direct funded projects, the reimbursable projects will be costed using the same rates and basis of consumption as the direct funded projects.
- D. Actual cost for reimbursable work projects shall be assigned as prescribed in FMR Volume 7, Cost.
- E. Recognizing that the computation of full cost cannot always be exact, NASA will strive to achieve a high degree of precision in costing reimbursable work. The following restatement of a Comptroller General decision was taken from the Government Accountability Office's (GAO's) "Principles of Appropriations Law" Second Edition, Volume IV, pages 15-40 and 15-41: "While at times actual cost can be computed with precision, the Economy Act does not require that the determination be an exact science. Cases on reimbursable work even before the Economy Act recognized the acceptability of a reasonable and appropriate methodology over "absolutely accurate ascertainment" which might entail considerable burden and expense, 3 Comp. Gen. 974 (1924). As stated in B-133913, January 21, 1958, "[a]s long as the amount agreed upon results from a bona fide attempt to determine the actual cost and, in fact, reasonably approximates the actual cost," the Economy Act is satisfied.
- F. Recognition of Earned Reimbursements. In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, "earned" or "exchange" revenues are earned when a Government entity provides goods and services to the public or to another Government entity for a price. In practice, that would

correspond to costs incurred by NASA in performance of work associated with a reimbursable agreement.

3.3 TYPES OF COST.

- 3.3.1 In addition to the criteria in the Section "Cost Assignment" above, the following is the policy on handling the assignment of certain NASA cost elements to reimbursable work projects.
- 3.3.2 Direct Costs. Costs such as salaries and benefits, travel, contracts, materials, supplies, and equipment that are specifically identified with the reimbursable project are examples of direct costs. These items should be individually identified and shall be applied directly to the reimbursable project. These are costs that can be directly traced to the reimbursable work. Direct costs include service pool labor and materials that are directly charged to a reimbursable agreement.
- 3.3.3 Directly Associated Cost. Costs with a cause-and-effect relationship to the goods or services provided but that cannot be immediately charged to the reimbursable project are termed directly associated costs. An example is the cost of printing services for the reimbursable project that are procured on a Center-wide contract and subsequently charged to the reimbursable project.
- A. Service Pool Indirect Costs. Service pool indirect costs are costs that cannot be specifically and immediately assigned to a reimbursable project, but can be subsequently traced or linked to a reimbursable project and assigned based on usage or consumption. The costs addressed here do not include the labor of service pool personnel that is direct charged to a program, project, or reimbursable agreement. Likewise, material costs incurred by a service pool that are directly charged to a program, project, or reimbursable agreement are not included under this heading.
- 3.3.4 Prompt payment Interest. Per guidance in the memorandum from the Administrator, Office of Federal Procurement Policy (OFPP-OMB), "Improving the Management and Use of Interagency Acquisitions," June 2008, the customer shall be responsible for interest owed under the Prompt Payment Act except that the Servicing Agency (i.e., NASA) shall be responsible for interest owed to the contractor due to delays created by actions of NASA. Consequently, if the delay resulting in Prompt Pay interest is the fault of NASA, the interest should be absorbed by a NASA direct funding source and not billed to the reimbursable customer.
- 3.3.5 Other Chargeable Indirect Cost. These are costs that are significantly related to performance of the reimbursable agreement and can be allocated on a reasonable and consistent basis. Center Management and Operations costs are an example of other chargeable indirect cost.
- A. Center Management and Operation (CM&O). CM&O is a cost pool for Center support costs including the Center director and his/her immediate

staff, Center management, Center operations, systems management, facilities services, and information technology support. CM&O is comprised of the costs for civil service personnel and travel, support service contracts, supplies, equipment, and other goods and services necessary to manage and operate the Center. CM&O shall be applied to reimbursable agreements as services are performed and reimbursements earned. Annually the Agency Office of the Chief Financial Officer (OCFO) will establish the individual CM&O rates to be used by each Center to develop the full cost of reimbursable agreements.

- B. Contract Administration and Audit Services (CAAS). When the contract costs associated with a reimbursable agreement exceed \$1 million and require NASA procurement services, including contracts and grants, the full cost must include the cost of CAAS support.
1. As needed, the Agency OCFO will establish the standard CAAS rate that will be used to develop the full cost of reimbursable agreements. The CAAS rate in effect at the time the agreement is signed will be used to determine the applicable CAAS cost. The CAAS cost is calculated by multiplying the planned contract cost by the established rate.
 2. The CAAS charge is to be considered as an incremental expense to the Agency and is non-refundable. CAAS charges are applicable to pass-thru contract actions if the contract requires CAAS services and the other party's share of the total contract exceeds \$1 million.
 3. CAAS charges must be included in the full cost of the agreement. An estimate of CAAS charges should be included on the appropriate line on the Estimate Price Report (EPR).
 4. CAAS charges shall be applied to reimbursable agreements as services are performed and reimbursements earned.
- C. Corporate G&A. Corporate G&A is not applicable to reimbursable agreements and is not charged to reimbursable customers (except in circumstances involving reimbursable agreements with Headquarters or Jet Propulsion Laboratory (JPL) as discussed below).
- D. Administrative Fee for Headquarters and Jet Propulsion Laboratory (JPL) Reimbursable Agreements. An administrative fee shall be included in the cost of all reimbursable agreements that will be executed by Headquarters or JPL. This administrative fee is required so that NASA may recoup the added cost associated with the financial management of the reimbursable agreements. The Agency OCFO (or delegated to Headquarters Director, Office of Budget Management and System Support) will determine whether to prescribe a rate specifically for that purpose or to use the Corporate G&A rate for determining the administrative fee. Unless a rate is issued specifically for Headquarters and JPL reimbursable agreements, the administrative fee shall be

determined on the basis of the Corporate G&A rate issued by Agency OCFO. The rate to be used for determining administrative fees on Headquarters or JPL agreements will be recalculated and issued by Agency OCFO or Headquarters Director, Office of Budget Management and System Support, as needed.